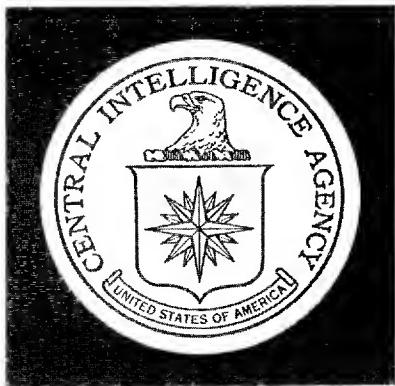


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DIRECTORATE OF
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[South Vietnam: Additional indications of impending enemy attacks have been noted in Quang Tri and Thua Thien provinces, and in the Saigon area.

25X1 The most significant threat appears to be developing in the vicinity of Hue.]
[a]

regiment of the North Vietnamese 320th Division moved south through Quang Tri Province toward Hue. The 1,500-man unit allegedly has orders to attack in the Hue - Phu Bai area in May.

A regiment of the 320th would add significantly to an already heavy concentration of enemy troops in the lowlands of Thua Thien Province. Operation Delaware/Lam Son 216 in the A Shau valley, which continues to meet only moderate resistance, could make it difficult for the Communists to support an offensive against Hue.

To the north, there are agent reports of enemy troops moving on Quang Tri city from the area of the Demilitarized Zone.

25X1 In the Saigon area, [] a notable increase in the number of Viet Cong attempts to infiltrate weapons, explosives, and propaganda materials into the city.

Meanwhile, major enemy units continue to avoid contact with allied forces.

* * * *

A new attempt may be made in South Vietnam's National Assembly to bring to a vote a motion of no-confidence in Prime Minister Loc. On 23 April, 46 deputies in the Lower House submitted a petition requesting that the house discuss "the cabinet and]

the national situation." A no-confidence move has little chance of success, but submission of the petition for debate may increase pressure on President Thieu to replace Loc and other ministers.

[redacted] (Map)]

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Communist China - Vietnam: There are indications that Peking is accommodating itself to Hanoi's acceptance of negotiations.

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[redacted]
Prime Minister Chou En-lai recently outlined [redacted] his view of the "minimum conditions" necessary for successful peace talks on Vietnam. [redacted] "total acceptance" by the US of the "fundamental principles" of both Hanoi and the Liberation Front was a requisite of success. He emphasized that the Liberation Front must be recognized and "included in full" in any talks.

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[redacted] high Chinese officials consistently opposed a negotiated end to the Vietnam war but indicated that the decision to enter into negotiations was up to Hanoi.

Peking propaganda has maintained a hard line on negotiations, branding them "frauds" of the US and "Soviet revisionists." The Chinese, however, have maintained some flexibility on the subject by refusing to comment publicly on Hanoi's stated willingness to begin preliminary negotiations.

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North Korea: Pyongyang has announced a substantial budget increase for 1968.

The minister of finance told a session of the Supreme People's Assembly on 25 April that expenditures for this year will increase 33 percent above last year. The rise last year was 11 percent and only 3 percent in 1966.

Announced expenditures on defense will increase by about a third. Very little is known, however, about actual workings of the North Korean budget, so it is difficult to measure the impact of the announced increase on the military establishment. It is possible that some of the increase may reflect only changes in accounting.

The public announcement of such a large budget increase is probably aimed in part at impressing the US and South Korea with Pyongyang's strength and resolve. The finance minister's speech linked the defense boost to the allegedly increased "war provocations" of the US and South Korea.

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Berlin: Bonn will view the East German refusal to allow West Berlin Mayor Schuetz to travel by road to the Federal Republic as an alarming escalation of Communist harassment.

The action against Schuetz is the first time that the East Germans have applied the ban on travel to and from West Berlin to a West German "higher official." The ban was announced on 13 April. In addition to his duties as mayor, Schuetz is also president of the Bundesrat in Bonn, and acting federal president. In two previous cases, the officials involved were of relatively minor rank.

The Schuetz episode took place despite a formal Allied protest to the Soviets in East Berlin on 19 April. The Allies reminded the Soviets of Soviet responsibility to maintain normal traffic on the autobahn.

The East Germans may use the prospect of new student demonstrations today in West Germany as an additional justification for continuing the ban, which they have said will remain in effect until further notice. More demonstrations are planned for 1, 8, and 11 May. [redacted]

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USSR: Nonmilitary industrial output is estimated to have increased about 6.5 percent in the first quarter of this year, somewhat less than during the comparable period of the last three years.

All three industrial sectors--materials, civilian machinery, and consumer nondurables--shared in the downturn. The most significant slowdowns in the materials sector were construction materials and forest products. Even the usually growth-oriented chemicals branch failed to keep pace with its previous rate of expansion.

A comparison of the official growth rate of total machinery production with estimates for growth in civilian machinery suggests a slight acceleration in the growth of military and space hardware. Most civilian machinery items, with the notable exception of farm machinery, failed to achieve the growth rates registered during the first quarter of 1967.

Despite the regime's announced intention to emphasize consumer goods over producer goods, consumer durables and nondurables suffered a significant decline in growth during the first quarter. This fall off, mainly in clothing and food, was in large part the result of a decline in agricultural output in 1967. [redacted]

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Poland: Polish Jews from many walks of life, fearing persecution, appear to be leaving the country.

Gomulka has restated his offer of 19 March to permit Jews to leave Poland. This has speeded up an already substantial outflow since the Arab-Israeli conflict last June sparked new official anti-Semitism.

The number of Jewish applicants for emigration to the US has averaged about five a day in recent weeks. Similar numbers probably are approaching other Western embassies in Warsaw. The Netherlands Embassy, which has handled Israeli interests in Poland since last June, reportedly has been processing about 100 applicants monthly. Most of these are being routed to Israel via Jewish relief agencies in Vienna.

The applicants say they can obtain a one-way travel document from Polish authorities without much difficulty. The document must be used within ten days of issuance, and its acceptance constitutes an act of expatriation.

The current party crisis, in which anti-Semitism disguised as "anti-Zionism" plays a major role, has resulted in widespread dismissals of Jews from official positions. Although most of the 30,000 elderly Polish Jews who remain from a prewar figure of over 3 million are not directly affected by the purges, the "pogrom" atmosphere fostered by hard-line propaganda has increased their fears for the future.

Despite the Gomulka offer, it is unlikely that the Jews who formerly held important party and government positions will either wish or be permitted to emigrate. The hard-line press has already

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warned that persons affected by the Official Secrets Act cannot be allowed to leave the country for several years after they quit their jobs.

Jewish intellectuals are staying even though many of them, such as film director Alexander Ford and most of his colleagues at the Lodz film school, have been purged. These people seem to be waiting for a resolution of the current political crisis which, in Ford's words, still has "many acts to be played."

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Czechoslovakia: The hopes of the Czechoslovak liberals to push extreme reforms through parliament have received a jolt.

On 25 April, several ousted conservative ministers were assigned to key parliamentary committees. In these posts, the conservatives could help dilute or block progressive legislation to which the liberal wing of the party aspires. More than a third of the deputies recently opposed the installation of reformer Josef Smrkovsky as chairman, indicating considerable conservative strength in parliament.

Local and national elections are scheduled for November, and the lame ducks now in the assembly are being asked to legislate an electoral reform that will probably prevent most of them from returning. It is possible, therefore, that these assignments were a sop to moderate leaders who fear an open rupture between reformers and hard liners.

Party boss Dubcek is under severe pressure from liberals who want to oust conservatives from the party central committee as soon as possible. Within a month he appears to have reversed field several times on this issue and obviously hopes to avoid a showdown until next year when he might be better prepared.

Yesterday, however, he appeared to bow to the will of the majority at an important party conference. He somewhat reluctantly endorsed the idea of convening an early party congress that will elect a new central committee and promised to introduce a proposal to that effect in May to the current central committee. Because so many conservatives are still on the central committee, the May meeting may become a severe test of Dubcek's strength.



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Czechoslovakia-USSR: Prague is throwing wrenches into the machinery the Soviets have set up to prepare a world Communist conference late this year.

At the preparatory meeting in Budapest, Josef Lenart, the head of Prague's delegation, gave a speech on 25 April in which he decried attempts to formulate new documents for a world conference "behind closed doors," according to a Prague broadcast. Lenart called for "broad public discussion" and came out against the approval of "only one document covering all problems in a doctrinal way." The Czechoslovaks thus far are the only party that has publicized any of the proceedings.

Moscow's recent tactics had indicated its hope that preparations for the conference, particularly the drafting of what Soviet party Secretary Suslov called the "main document," would enjoy smooth sailing, with only a minimum of carefully controlled publicity.

Several other parties share the Czechoslovak views and Prague's behavior will make it much more difficult for Moscow to achieve its goals for a conference. Prague's actions are certain to aggravate tensions with Moscow.

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Rumania: The Ceausescu regime has begun a campaign to correct past abuses.

At an enlarged central committee plenum on 22-26 April, plans were announced to rehabilitate those convicted of political crimes in the Stalinist era. In doing so, party leader Ceausescu broke openly for the first time with his predecessor, Gheorghiu-Dej, who first chartered Rumania's independent course.

In the only action against a member of the present regime, the plenum removed Alexandru Draghici from all his party and government posts for his part in the Stalinist trials. Investigations are continuing and others may be implicated. Ceausescu's inner circle of supporters probably will not be affected.

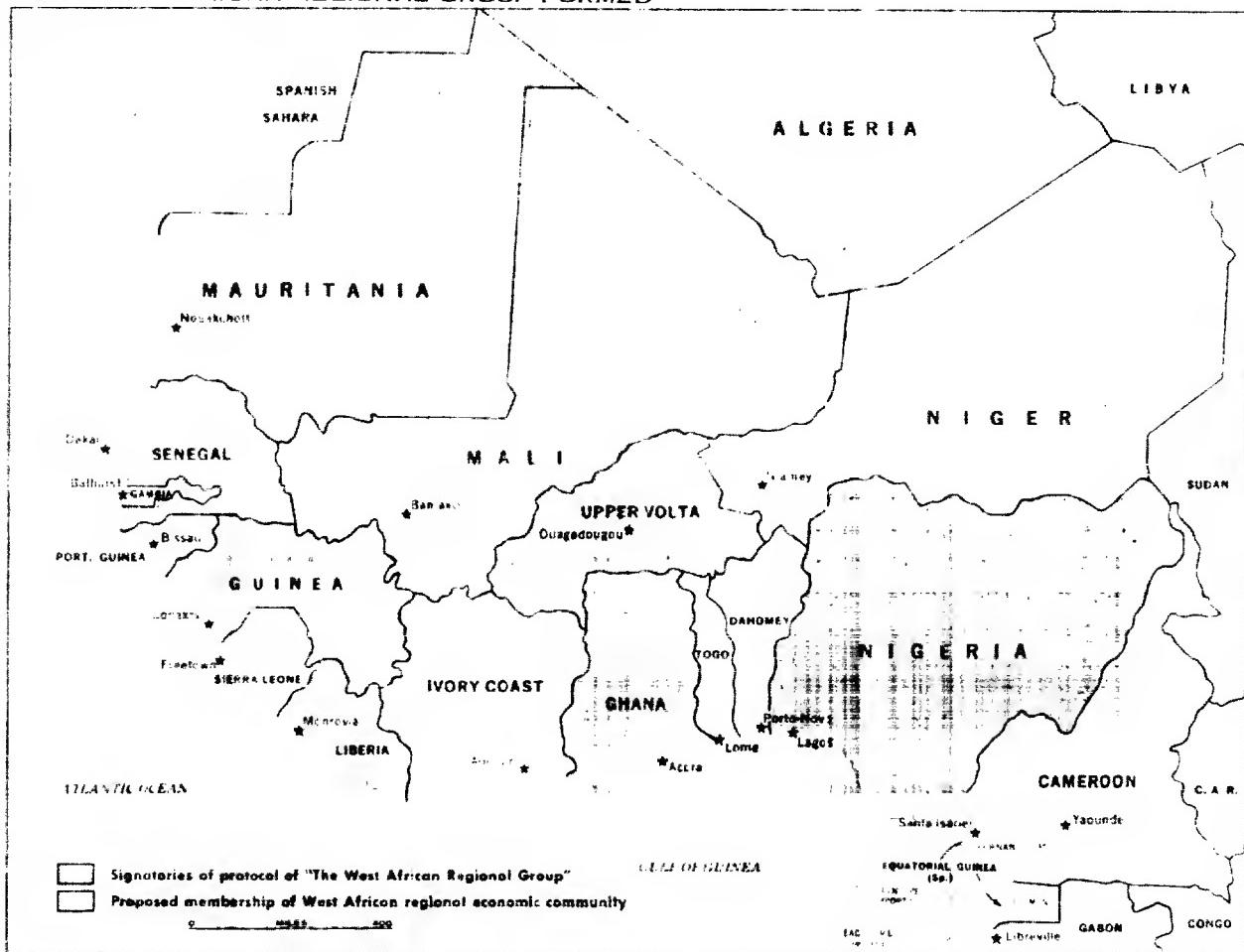
Ceausescu intends that these steps symbolize the national character of his government and its concern for the rights and freedoms of individuals. He probably also hopes these actions will lend credibility to claims that internal liberalization has been under way in Rumania since 1965. In his speech at the plenum, however, Ceausescu made it unmistakably clear that nothing like the degree of liberalization taking place in Czechoslovakia would be allowed.

Discussions on foreign policy at the plenum revealed the regime's chagrin at being left out of the Dresden meeting, which all the other active members of the Warsaw Pact and CEMA attended last March. Although that meeting focused on Czechoslovakia, it also considered the organizational structure of the Warsaw Pact and tighter coordination in CEMA. Rumania has been at odds with its allies over these questions for some time but seems prepared to accept a less active role. [redacted]

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West Africa: A three-day summit meeting of West African chiefs of state in Monrovia, Liberia, ended on 24 April with little real progress toward the creation of a regional economic community.

The meeting was called by the four Senegal River states--Senegal, Mali, Guinea, and Mauritania--but of the 14 nations invited, only nine showed up. Not represented were Ivory Coast, Togo, Dahomey, and Niger. Ivory Coast President Houphouet-Boigny led a last-minute campaign, encouraged if not prompted by France, to sidetrack the summit. Sierra Leone, in turmoil since the coup last week, was unable to participate formally.

Although the nine countries signed a protocol establishing a West African Regional Group and issued a communiqué urging the absent states to join, the prospects for this latest venture in West African regionalism are dim. The French-speaking states are reluctant to join a community they believe would be dominated by economically more powerful Nigeria and Ghana. They also fear that they would jeopardize their special economic ties with France and the EEC.

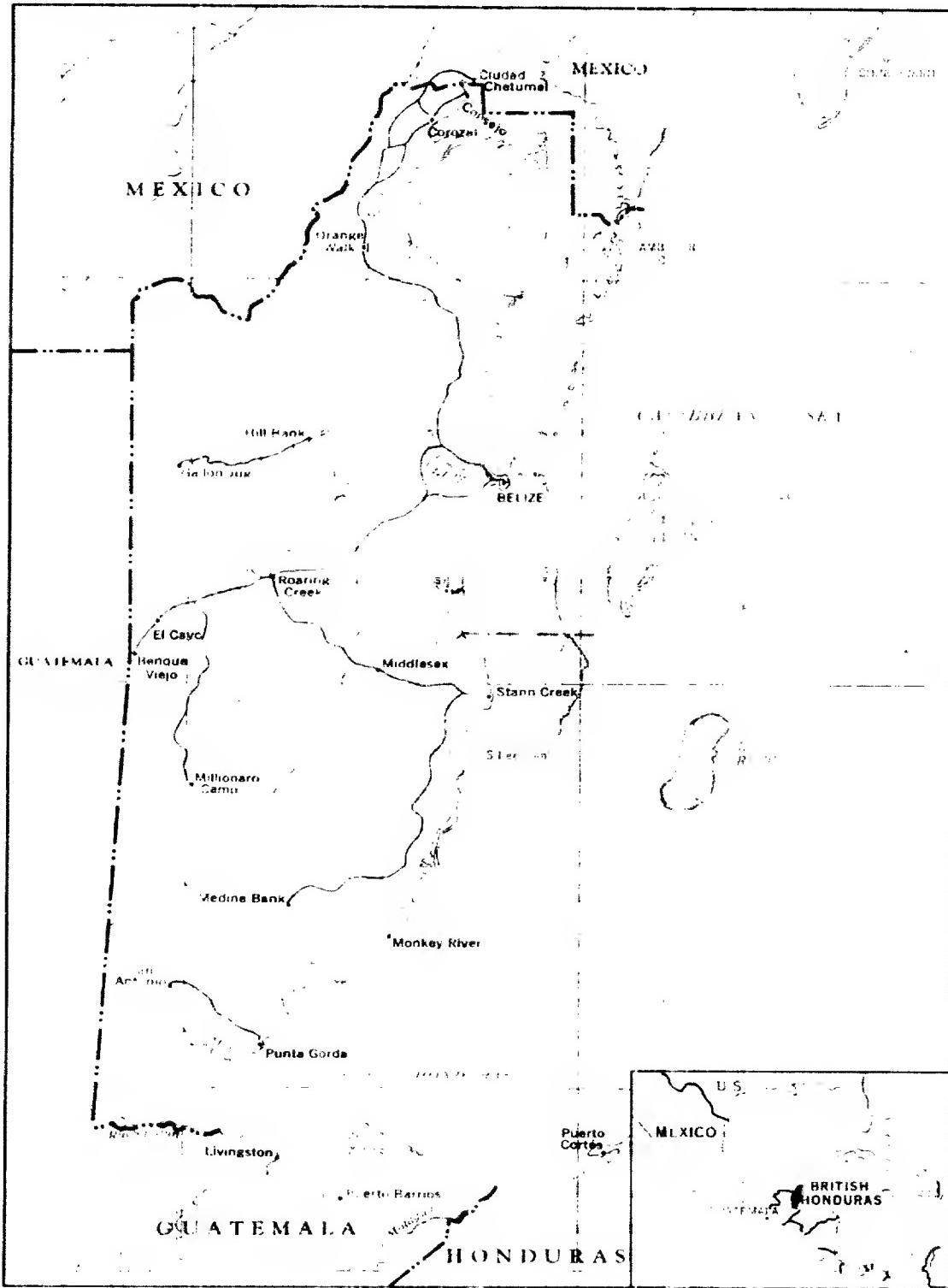
The proposed organization, like the rival West African Community sponsored by the UN Economic Commission for Africa, will continue to encounter the basic hostility of France. At least while De Gaulle remains in power, Paris is likely to view any such community as a threat to the pre-eminent influence France continues to enjoy in most of French-speaking West Africa. [REDACTED] (Map)

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British Honduras: The impending release of the mediator's recommendations on the dispute over British Honduras is likely to stir a hostile reaction in Guatemala. Guatemala and the UK severed relations over the territorial dispute in 1963 and jointly requested US mediation two years later. There is increasing parliamentary pressure in London to grant the colony independence, preferably with, but if necessary without, Guatemalan concurrence.

The Guatemala Government, expecting internal repercussions if treaty conditions are unfavorable, has been pressing for further delays. If independence is granted, continued Guatemalan opposition could take the form of diplomatic pressures against the new nation and meddling in its internal affairs.

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[redacted] (Map)

* * * *

Japan: The proposed merger of two leading iron and steel companies may presage an accelerating trend toward concentrating ownership in industry and finance. If the merger between Yamata and Fuji steel is approved by the government, the resulting company would be second only to US Steel in the iron and steel industry. The new company would be the largest corporation in Japan and would have some 35 percent of the industry's market.

Most Japanese businessmen favor the creation of larger firms before foreign investment restrictions are loosened. Tokyo plans to be doing this between now and the early 1970s. There already have been indications from leading banks and elements of the Finance Ministry that the steel merger would stimulate demands for bank mergers.
[redacted]

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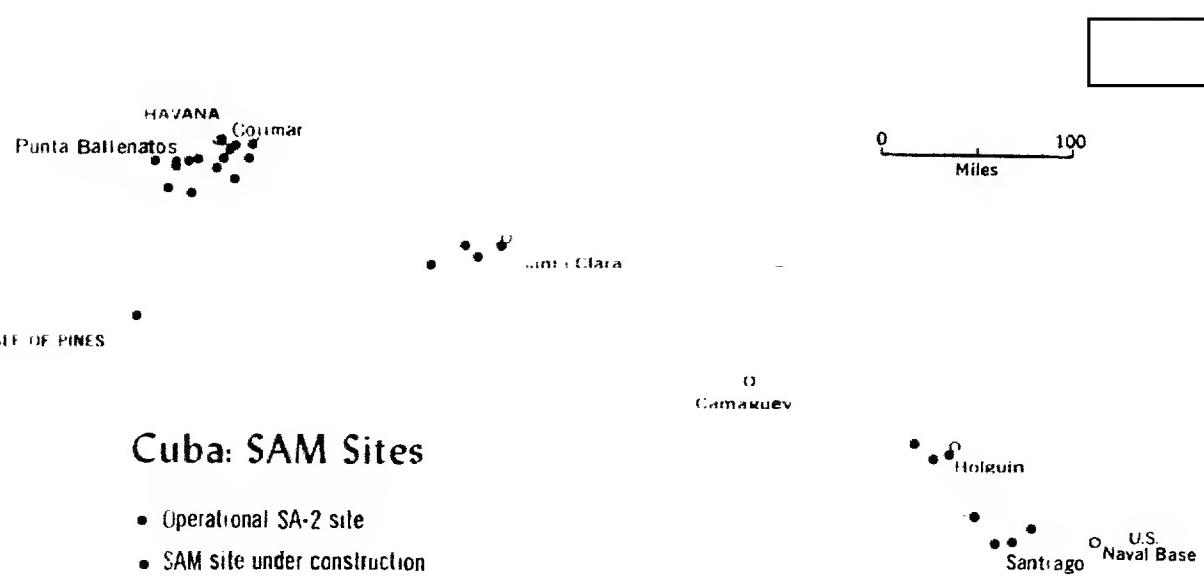
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Cuba: Aerial photography for the first four months of 1968 shows that the number of operational SA-2 surface-to-air missile sites has remained at 24. Some formerly active sites have been phased out and replaced by new ones. Three additional surface-to-air missile sites are currently under construction at Punta Ballenatos, Cojimar, and Santiago.

[Map] (Map)

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Cyprus: Disagreement over the venue is still delaying the start of talks between representatives of the Greek and Turkish Cypriot communities. Greek Cypriot President Makarios insists that the discussions be held on the island; Turkish Cypriot Vice President Kucuk favors a foreign site. The impasse over the talks reflects the mutual suspicions between the two groups. UN Undersecretary Rolz-Bennett will visit the island this weekend in an attempt to break the deadlock.

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Sierra Leone: Siaka Stevens, leader of the northern-dominated All People's Congress, was appointed prime minister yesterday by the acting governor general after consultations with members of parliament. Stevens, who apparently will attempt to form a "national" coalition government, may have already made a deal by which members of the former ruling party will hold some important posts in the new government. Whether Sierra Leone's indisciplined army will allow a return to constitutional rule will depend to a great extent on assurances of higher pay and better living conditions.

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